

**Report of the Deputy Chief Executive**

**Report to Corporate Governance and Audit Committee**

**Date: 11<sup>th</sup> July 2014**

**Subject: Annual Audit Fee 2014/15**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. KPMG have confirmed their audit fee for 2014/15 as £307,800.
2. The fee for Grant certification is estimated at £22,140.

**Recommendations**

3. Members are asked to note the external audit fees for work relating to the 2014/15 financial year.

**1 Purpose of this report**

- 1.1 To inform members of the cost of external audit work relating to the 2014/15 financial year.

**2 Background information**

- 2.1 Previous fees are outlined in the table below:

Year	KPMG Audit Fee	Audit Commission Rebate	Grant Certification	Total
2010/11	£586,000	£(41,040)	£94,904	£639,864
2011/12	£507,500	£(27,200)	£60,742	£541,042
2012/13	£307,800	£(42,123)	£37,975	£303,652
2013/14	£307,800	To be confirmed	£24,721	£332,521

### **3 Main issues**

- 3.1 KPMG's audit letter attached, confirms that the annual audit fee will be £307,800 (plus VAT). The fee is commensurate with the fee scales set by the Audit Commission and remains unchanged from 2013/14. This fee assumes that there is no change to the general level of risk in relation to the financial statements and that the Council provides KPMG with complete and accurate financial statements accompanied by good quality working papers.
- 3.2 The letter also estimates that the fee for the 2014/15 certification of grants and returns will be £22,140. This fee is based on those grants and returns currently identified by the Audit Commission as requiring external inspection.
- 3.3 Any proposed amendment to the fees will be discussed with the Council and the reason for any change would be reported to this Committee.

### **4 Corporate Considerations**

#### **4.1 Consultation and Engagement**

- 4.1.1 This is a factual report based on information provided by the external auditors and consequently no public, Ward Member or Councillor consultation or engagement has been sought.

#### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 This is a factual report based on information provided by the external auditors and has no direct implications for equality, diversity, cohesion and integration.

#### **4.3 Council Policies and City Priorities**

- 4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts..

#### **4.4 Resources and Value for Money**

- 4.4.1 Members should note that there has been no increase in the annual audit fee and the fee for certifying grants and returns has reduced.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 As this is a factual report based on information provided by the external auditors none of the information enclosed is deemed to be sensitive or requesting decisions going forward and therefore raises no issues for access to information or call in.

#### **4.6 Risk Management**

- 4.6.1 The final level of fees will depend upon whether there is any change in the general level of risk in relation to the financial statements. This risk will be assessed in the external audit plan which KPMG will present to this Committee in March.

## **5 Conclusions in relation to the financial statements**

- 5.1 In line with the Audit Commission fee scales, KPMG have not increased their audit fee for the third year in a row. However the level of the fees is not fixed and depends upon:
- § the quality of the financial statements and related working papers;
  - § the final number of auditable grants and returns;
  - § the quality of all supplied evidence and working papers;
  - § the audit assessment as to the level of risk inherent in the Council's financial statements.
- 5.2 If there is any reason to amend the fees, KPMG will discuss them with officers of the Council and report back to this Committee with the reasons for the change.

## **6 Recommendations**

- 6.1 Members are asked to note the external audit fees for work relating to the 2014/15 financial year.

## **7 Background documents**

- 7.1 None.